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June 19, 2017

Ms. Marlene Dortch, Secretary
Office of the Secretary
Federal Communications Commission
Washington, D.C. 20554

Re: **WC Docket No. 17-114**; Quintillion Subsea Operations, LLC and Quintillion Networks, LLC Petition to Deny

Dear Ms. Dortch:

Enclosed, on behalf of Quintillion Subsea Operations, LLC and Quintillion Networks, LLC, please find the Companies' Petition to Deny in connection with the applications filed for the transfer of control of General Communications, Inc. and its subsidiaries. As confirmed by the appended certificate of service, a copy of this filing has been served on the parties and on the Commission Staff identified in the May 19, 2017 public notice for this consolidated proceeding.

Thank you for your assistance with this submission.

Sincerely,

Winafred R. Brantl

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Consolidated Section 214 Application for Transfer of Control of GCI-GCI Liberty	))	WC Docket No. 17-114

PETITION TO DENY OF QUINTILLION SUBSEA OPERATIONS, LLC AND QUINTILLION NETWORKS, LLC

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June 19, 2017

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Before the

FEDERAL COMMUNICATIONS COMMISSION

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PETITION TO DENY OF QUINTILLION SUBSEA OPERATIONS, LLC AND QUINTILLION NETWORKS, LLC

Quintillion Subsea Operations, LLC ("Quintillion Subsea") and Quintillion Networks, LLC ("Quintillion Networks") (collectively, "Quintillion"), pursuant to Section 1.939 of the Commission's rules,[1] respectfully submit this petition to deny the above-referenced applications for approval of Liberty Interactive LLC's ("LIC") acquisition of General Communications, Inc. ("GCI") – in the absence of conditions to protect Alaska consumers.[2] GCI, the largest telecommunications provider in Alaska, through and with its subsidiaries,[3] operates today in an anticompetitive manner, suppressing competition throughout its territory and too-often imposing exorbitant pricing upon its own customers for delivery of capacity-limited services. The proposed combination of GCI, with its strategic domination of many aspects of the Alaska communications market, and LIC offers no discernible public benefits but instead portends harm for Alaskan consumers and competition in the State unless the Commission implements targeted

[1] 47 C.F.R. § 1.939.

[2] Quintillion's petition is specifically directed against the domestic and international Section 214 transfer of control applications and the submarine cable transfer of control applications filed by the Applicants as well as the associated wireless applications.

[3] Unless otherwise stated herein, references to "GCI" are references to GCI operating in combination with one or more of its affiliates.

conditions upon GCI's Alaska operations. If these conditions are not imposed, the Commission should withhold consent to the proposed merger to protect Alaska against public harm.

I. SUMMARY

The Commission, in reviewing the proposed acquisition of GCI by LIC, must examine the potential impact of the transaction closely and ensure that the merger does not cause public interest harm. Close scrutiny is warranted because of GCI's unique position in the State. GCI (in combination with its subsidiaries) is the largest carrier in Alaska and, in many areas of the State, the dominant provider. Perhaps more importantly, GCI and its affiliates, as a group, are by far the largest recipient of end user/taxpayer-funded public money – receiving, directly or indirectly, hundreds of millions of Federal and State grant and loan dollars annually – funds intended to support the construction of network facilities, promote competition, and deliver affordable broadband and telecommunications services to Alaska. In what Quintillion views as a betrayal of the public trust, despite receiving hundreds of millions of dollars in Federal support annually, GCI has a well-documented history in stymying competition and keeping rates to end users exorbitantly and artificially high (and capacity artificially low) in many parts of the State most desperately in need of crossing the Digital Divide.

Thus, while it may be the case that the transaction does not generate increased market share concentration in Alaska product and geographic markets, the proposed merger, bringing greater control under LIC and John Malone, its Chairman and largest shareholder, presents a real risk that GCI will become more entrenched in its anti-competitive business activities in many parts of the State, cementing the Digital Divide, rather than overcoming it. Quintillion understands that LIC and Mr. Malone, have a lengthy history of notoriously aggressive and bottom-line focused dealings in U.S. and international markets. This bodes very poorly for

Alaska given GCI's poor track record. GCI's expected increased access to capital from the buyer, provides sufficient reason for concern that GCI will be emboldened to maintain and even extend its anti-competitive activities in many areas of the State unless targeted conditions are adopted by the Commission.

GCI has benefitted more than any other provider in the State from Federal funding and subsidy programs, including the USF and RUS, programs designed to not only bring telecommunications and broadband to remote Alaskan "Bush" communities but to develop competition through wholesale services and pricing. Indeed, as the largest beneficiary of the Commission's recently adopted Alaska Plan, GCI is expected to receive $550 million over the next ten years. Tellingly, GCI and LIC do not suggest that the proposed transaction will benefit the public by increasing wholesale options or competition or delivering more affordable, more advanced services to Alaska end user customers, consumers, business, and institutions. To the contrary, their applications claim little upon GCI's Alaska operations. Competition in Alaska has not been anywhere nearly as pervasive as it has been in the "lower 48," especially outside the largest population centers of Anchorage, Juneau, and Fairbanks.

The costs for building infrastructure are substantially higher in Alaska than in the continental US and more so in remote Alaska. In conjunction with the Commission's adoption of the uniquely-targeted Alaska Plan, then-Commissioner, now FCC Chairman, Ajit Pai lamented that the Commission missed a prime opportunity to effectively solve the middle-mile problem in the State, expressing a. concern that Alaska Plan distributions to GCI may be "wasted payments . . . that could be used to link off-road communities." This sober assessment bears keeping in mind when reviewing this transaction.

GCI's activities to date in connection with services supported by Federal subsidies effectively reflect a betrayal of the public trust and an unfortunate failure of the programs to promote competition through wholesale access and affordable pricing of sufficient broadband services without excessive oversubscription. In constructing the TERRA-SW network serving remote communities in southwestern Alaska, buoyed by $88 million in grants and low-interest loans enabled by the American Recovery and Reinvestment Act of 2009 ("ARRA"), GCI-affiliate United Utilities, Inc. ("UUI") made clear commitments to the Federal government to provide wholesale services and pricing. Yet, Quintillion and other Alaska providers have been stonewalled in their efforts to obtain wholesale services and pricing from GCI on the TERRA-SW middle mile facilities. GCI's failure to provide wholesale access, as required by the ARRA Broadband funding framework, to adequate middle-mile capacity in the notoriously high-cost-build areas of Alaska linking most remote communities has frustrated the potential for emergent competition in these communities. Where wholesale pricing has been made available, Quintillion's experience is that it is indefensibly high, as demonstrated by the much lower rates that competitors are able to offer once they are given a chance.

Further, GCI affiliates have leveraged the inadequate capacity on their publicly-funded facilities linking remote and rural areas to charge end users exorbitant prices for services that are oversubscribed. Additionally, the broadband services of GCI are burdened by ridiculously onerous overage charges. The key to making affordable options available for end users is to ensure access to GCI middle mile capacity on a wholesale basis at reasonable prices. However, GCI's activities show no tendency to provide for wholesale access, and Quintillion is gtravely concerned that the consummation of the proposed acquisition by LIC and Mr. Malone is likely to perpetuate the same anticompetitive GCI behavior or, as the applications phrase it, the execution of GCI's business plan.

Accordingly, if the Commission were to permit this transaction to go forward, it should adopt special conditions that can be enforced to address the foregoing concerns as follows:

- Public Funds Awarded for Alaska Benefits Alaska: Direct and indirect Federal funding intended to promote the development of telecommunications and broadband services in Alaska is, in fact, spent in Alaska; the Commission should adopt reporting requirements to verify this that remain in place for the duration of the Alaska Plan funding.
- Ensure Public Funds are Reinvested in Alaska: GCI, for the duration of the Alaska Plan funding, shall use a defined percentage of the Federal grants and loans it receives to develop middle mile operations connecting unserved areas (defined as those that have satellite service only) resulting in with sufficient capacity to meet not only GCI's expected needs (without relying on unreasonable over-subscription levels) but also to support wholesale services at reasonable and non-discriminatory prices made available to unaffiliated parties.
- Wholesale Services and Pricing on Networks Built with Public Funding: GCI will offer, for at least five (5) years, wholesale transport services at commercially relevant speeds on Federally funded or subsidized middle mile facilities (including facilities funded or subsidized in the past) to unaffiliated providers at reasonable pricing and on a non-discriminatory basis relative to GCI affiliates; wholesale services should be offered at a meaningful discount to retail services to allow competition to develop; no GCI company may satisfy its wholesale obligations by selling to an affiliate. After four (4) years, the Commission will commence a review to determine whether there are ground to eliminate the condition at the end of the fifth year or to continue the condition for an additional length of time.
- Network Services and Pircing on Networks Built with Public Funding: GCI will offer, for at least five (5) years, reasonable and non-discriminatory prices to end user customers, approximating competitive outcomes, especially those served pursuant to Federal subsidy programs (*e.g.*, schools and libraries programs). After four (4) years, the Commission will commence a review to determine whether there are ground to eliminate the condition at the end of the fifth year or to continue the condition for an additional length of time.
- Oversubscription and Throttling: GCI will complement any target performance requirements for the Alaska Plan and other public funding for retail services by restricting over-subscription and throttling practices that materially degrade performance.

II. STANDARD OF REVIEW

Section 214 of the Communications Act (the "Act") requires the Commission to certify that "neither the present nor future public convenience and necessity will be adversely affected" before approving a carrier's request to transfer control of its telecommunications authority.[4] Likewise, in accordance with sections 309(a) and 310 of the Act, when an entity seeks to transfer, assign, or dispose of a common carrier radio construction permit or station license, the Commission must determine that "the public interest, convenience, and necessity will be served" before granting the request.[5] Similarly, under section 1.767 of Commission rules, the Commission will seek information necessary to inform its public interest determination when considering a request to transfer control of an interest in a cable landing system.[6]

The Commission's public interest analysis is grounded in the broad objectives of the Act which the Commission has interpreted to mean "among other things, a deeply rooted preference for preserving and enhancing competition in relevant markets, accelerating private-sector deployment of advanced services, ensuring a diversity of information sources and services to the public."[7] As a component of this broad analysis, the Commission will also consider the impact a transaction will have on the quality of services available to consumers.[8]

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4 Communications Act of 1934 § 214(a).

5 Communications Act of 1934 §§ 309(a), 310(d).

6 47 C.F.R. § 1.767.

7 *In the Matter of Applications of AT&T Inc. and Cellco Partnership*, WT Docket No. 09-104, Memorandum, Opinion and Order, 25 FCC Rcd 8704, 8716 (June 22, 2010).

8 *See e.g., Applications of Comcast Corp., General Electric Co., and NBC Universal, Inc. (For Consent to Assign Licenses and Transfer Control of Licensees*, FCC 11-4, para. 23, MB Docket No. 10-56 (rel. Jan. 20, 2011) ("Our public interest analysis may also entail assessing whether the transaction will affect the quality of communications services or will result in the provision of new or additional services to consumers.").

When reviewing prior transactions, the Commission has considered technological or market change, industry trends, and other business factors in relation to the public interest.[9] The Commission has also evaluated the potential for exclusionary conduct, meaning the ability to block access to industry resources from competitors.[10] If the Commission determines there is a significant risk of harm to the public interest, it must then find that the alleged public benefits of the proposed transaction outweigh the likely public interest harms in order to approve the transaction. In the event that the harms of the transaction outweigh the purported public interest benefits, the Commission's public interest authority enables it "to impose and enforce conditions to ensure that a transaction will yield overall public interest benefits." [11]

III. INTEREST OF QUINTILLION

Each of the Quintillion companies is headquartered in Anchorage, Alaska. Quintillion is demonstrating what can be accomplished by private capital without government grants or loans by building and operating its terrestrial fiber network connecting Prudhoe Bay and Fairbanks and soon-to-be-operational subsea cable system linking five other remote communities on the northwest coast of Alaska through Prudhoe Bay and delivering wholesale capacity to carriers and other telecom providers at prices up to 90% lower than available on competitive satellite and microwave systems.

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9 *See id.*

10 *See id.* para. 29 (explaining that the proposed Comcast-NBUC transaction creates the possibility that Comcast could bloc rivals from access to programming content or raise costs to access such content and imposing a remedy to address the issue).

11 *Applications of Comcast Corp., General Electric Co., and NBC Universal, Inc. (For Consent to Assign Licenses and Transfer Control of Licensees*, FCC 11-4, para. 25, MB Docket No. 10-56 (rel. Jan. 20, 2011).

Quintillion Subsea has an approved FCC submarine cable landing license and is completing the build of a submarine cable system (the "Quintillion System") that lands in six communities within Alaska between Nome and Prudhoe Bay.[12] The main system has been operating in test mode since November 2016 and the last 70 kilometers of construction is scheduled for completion in the second half of 2017. The Quintillion System is scheduled to be fully tested and become operational before the end of 2017.[13]

Quintillion Networks operates fiber facilities in Prudhoe Bay running south along the Dalton Highway through Fairbanks, and connecting there to facilities and services available from other providers. Quintillion Networks began operation of its terrestrial network in April 2017.

The Quintillion System and the interconnecting terrestrial fiber network of Quintillion Networks will bring much-needed middle mile service for the first time to several communities in Northwestern and Northern Alaska enabling competitive retail providers to bring lower-cost high-speed broadband access and other advanced communications services to end users and connecting these communities to the larger population centers in Alaska, and from there to the rest of the country and world.[14] As a wholesale, private-carriage operator, Quintillion is

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12 SCL-LIC-20160325-00009 (granted Mar. 27, 2017).

13 The Quintillion System in its current phase is located wholly within Alaska at this time. There are plans to make it a multi-phase international telecommunications project that will eventually link Alaska to Canada, Europe, and Asia with a fiber-optic broadband cable running along the Arctic Ocean through the Lower Northwest Passage.

14 The availability of high-speed Internet access Quintillion will make possible in the communities its network passes will greatly improve the quality of service and opportunities in the affected communities Alaska including support for a Digital Learning agenda for improved education and job training, improved tele-medicine solutions such as remote diagnostics and specialist consultation, enhanced efficient delivery of critical government services; high-speed communications supporting business opportunities dependent on true online/remote access, real-time monitoring and management of resource development industries, and, support for essential national security and safety priorities.

contracting to provide affordable fiber-based middle mile capacity at a fraction of the cost and at higher speeds than existing satellite and microwave backhaul solutions in Alaska.

Beyond its own fiber-build, which connects the Quintillion System to Fairbanks, Quintillion is dependent upon wholesale services from GCI and other providers in order to extend its network capabilities, as needed, to meet wholesale customer requirements. As explained herein, it is GCI's stranglehold on middle-mile facilities and its resulting effective as gatekeeper on competition in much of the rest of the State that is of concern and which the proposed transaction cannot be permitted to exacerbate. Consequently, Quintillion has a direct interest in the Commission's decisions on the applications.

IV. OVERVIEW: THE THREAT ARISING FROM THE PROPOSED LIBERTY INTERACTIVE ACQUISITION OF GCI

Without getting lost in the complex reorganization and financial engineering included in the proposed transaction, the bottom line is easy to discern: GCI will be acquired by LIC, a limited liability company apparently controlled by John Malone, the Chairman of LIC. Quintillion is very concerned about the potential for the proposed transaction to cause real harm to Alaskan end user customers of broadband and telecommunications services as well as to the prospects for more robust competition in many parts of Alaska that do not enjoy the benefits of competition today. The proposed purchaser, LIC, along with affiliated Liberty entities, is a wealth-focused multinational corporate enterprise with disparate investments in an array of digital content providers, online retail merchants, cable providers and diverse financial entities.[15] Quintillion understands that LIC and Mr. Malone, have a lengthy history of notoriously

15 *See, e.g.*, Liberty Interactive Corporation 2017 SEC Form 10-K, available at https://www.sec.gov/Archives/edgar/data/1355096/000155837017001150/lint-20161231x10k.htm.

aggressive and bottom-line focused dealings in the U.S. and international business markets. This bodes very poorly for Alaska, as GCI and its subsidiaries are by far the largest recipients of end user/taxpayer-funded public money – receiving, directly or indirectly, hundreds of millions of Federal and State grant and loan dollars annually – intended to support the construction of network facilities, promote competition, and deliver affordable broadband and telecommunications services to Alaskan consumers, business, and anchor institutions. Quintillion urges regulators to consider the very real prospect that, post-transaction, Mr. Malone and Liberty, because of diverse and much larger interests outside of the State, will seek to extract as much profit and value out of GCI as possible, putting at risk Alaskan end user customer welfare and the responsible and effective use of the large amounts of end-user funded money GCI receives.

This is especially worrisome given that the applications, in their very thin public interest sections, promise that the transaction will give GCI "greater capacity to execute on GCI's current business plan,"[16] activity which, as detailed below, thwarts wholesale competition and keeps end user fees and charges unreasonably high in those areas trying to cross the Digital Divide. The transaction will apparently provide GCI with access to LIC's assets and greater access to financial markets, enabling GCI to continue its anti-competitive tactics, insulated from the possible near-term costs. Applicants note in their filing with the Regulatory Commission of Alaska that upon consummation of the transaction (including a major reorganization of the LIC entities), the newly established parent of the GCI entities, GCI Liberty, Inc. "will immediately be

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[16] In the Matter of General Communications, Inc., Transferor, GCI Liberty, Inc., Transferee, Applications for Consent to Transfer Control of International and Domestic Section 214 Authority, WC Docket No. 17-114, p.2 (filed May 11, 2017).

a multi-billion dollar company."[17] The parties promise that, supported by this degree of wealth, the transaction will allow GCI to continue executing its business plan, but the applications do not elaborate on what that business plan is. The Commission, Quintillion, and other interested parties are left to look at what GCI has accomplished thus far, and must conclude that GCI can comfortably employ costly strategies to further reduce or block competition in the Alaska market and keep rates to end users high. GCI's history in this regard is detailed further herein below. Indeed, GCI may be able to absorb the costs to leave significant portions of its TERRA-SW network capacity inadequate or lying fallow, denying access to competitors if warranted by the immediate strategic benefit – perpetuating a current tactic of GCI of building out capacity with public funds and then preventing it from being accessed competitively so as to keep rates for retail services artificially and harmfully high.[18]

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17 *See, e.g.*, *Application of GCI Merger Sub, Inc. and General Communications, Inc. for Authority to Acquire a Controlling Interest in Certificates of Public Convenience and Necessity Held by GCI Communication Corp.*, Regulatory Commission of Alaska Docket No. U-17-033, p. 18 (May 11, 2017).

18 Quintillion is equally concerned that with LIC's wealth as backing, GCI could, alternatively, afford to steadily abandon its commitments to Alaska and focus elsewhere. Reportedly, GCI has already indicated that notwithstanding the touted financial benefits of the transaction – enhanced financial stability and support – it does not intend to revise its plan to reduce investment spending in Alaska. J. Falsey & E. Martinson, "Colorado-based media conglomerate to acquire GCI for $1.12 billion," Alaska Dispatch News, April 4, 2017, available at https://www.adn.com/business-economy/2017/04/04/gci-acquired-by-colorado-based-media-conglomerate/. There is also a sense that the deal will afford GCI the opportunity to expand beyond Alaska, which could make the prospect for positive change in Alaska from GCI operations even more remote. *See, e.g., id.*, "Alaska's largest telecom company, GCI, is acquired for $1.12 billion," Daily News Briefs by Wireless Estimator, April 5, 2017, available at http://wirelessestimator.com/articles/2017/alaskas-largest-telecom-company-gci-is-acquired-for-1-12-billion (quoting Ron Duncan, GCI President and CEO: "The $1.12 billion buyout allows GCI to expand its already leading position in Alaska and expand to markets outside the state so the company will continue to have staying power "in case the Alaska economy really tanks'"). Finally, as a relatively small subsidiary in the vast LIC corporate empire, it is possible GCI will lack support from LIC management and that its operations in Alaska will be sacrificed to serve other corporate financial interests. Either scenario – monopolistic expansion and entrenchment or calculated withdrawal of GCI from the Alaska market – will be extremely harmful to Alaskans.

When considering whether to approve the transfer of control applications, the Commission should fully take into account what Quintillion believes is a very real risk that the hundreds of millions of dollars of publicly funded support would leave Alaska. Quintillion submits that the transaction should be approved only with imposition of conditions to protect Alaska consumers against the debacle if/when LIC/GCI's market interests dictate actions wholly inconsistent with the interests of Alaska's residents and to ensure the responsible use of substantial amounts of public money.

V. THE IMPORTANCE OF MIDDLE MILE IN ALASKA TO COMPETITION AND AFFORDABLE TELECOMMUNICATIONS AND BROADBAND SERVICES FOR END USERS IS UNDENIABLE AND BROUGHT INTO FOCUS BY THE PROPOSED TRANSACTION

Alaska presents unique and substantial geographical and climate-based challenges to communications providers. The capital and ongoing costs for network infrastructure and sustained operations are unmatched anywhere else in this country. In Alaska, especially in its rural and remote areas, of which are multitudinous, safety and near-term economic survival literally depend upon access to communications, yet nowhere else are those communications services more difficult to ensure. Quintillion, itself a new and emerging Alaska communications provider in certain portions of the State, knows these challenges well. The Commission, too, has recognized this reality and has expended considerable time and effort reviewing proposals for continued public investment to ensure that Alaska consumers have access to communications services comparable to those available elsewhere in the United States. The recently adopted Alaska Plan reflects the unique situation held by the 49th State.[19]

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[19] *Connect America Fund, et al*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 10139 (2016) ("Alaska Plan").

FCC action regarding this transaction, if it is to advance the public interest of Alaska, must consider and address the critical nature of middle-mile connectivity in Alaska and the pivotal role that GCI plays in determining whether middle-mile facilities built with public monies serve the public good or solely private gain. Middle-mile facilities are key to the development of telecommunications competition in Alaska, including broadband, and closing the Digital Divide.

In large parts of Alaska, there are towns and communities that are separated by vast distances and areas of difficult terrain, unconnected to roads or power grids. Roughly 100,000 people live in the rural, so-called "Bush" communities in Alaska, lacking access to road systems that could connect them to major, non-rural city centers with such core networks and the concomitant access to deployed broadband services.[20] These communities also experience a middle-mile connectivity gap due to the limited availability of broadband transport capability between them and the nearest provider's core network.[21] As the Commission knows, the extreme difficulty and high costs to deploy and maintain middle mile infrastructure is a key contributing factor to Alaska's low rate of broadband deployment. It is precisely because of these factors of terrain and expense that so much public funding has been provided for recent construction efforts, such as GCI's TERRA-SW network. In the *Alaska Plan Order*, then-Commissioner Pai dissented, voicing his concerns that the Plan did not effectively solve the "[problem] Alaska has that most of the United States doesn't: High-capacity, terrestrial middle-mile connections

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20 *See* Alaska Communications "Closing the Middle Mile Gap in Alaska: A Proposed Plan of Action for All of Alaska" filed with the FCC on filed Nov. 16, 2015, ("Middle Mile White Paper"), at 2, available at https://ecfsapi.fcc.gov/file/60001339326.pdf.

21 *See* Middle Mile White Paper.

between communities are few and far between."[22] Indeed, when commenting on the fact that GCI is slated to receive a large portion of the funds from the Alaska Plan, Chairman Pai referred to those payments as "wasted payments . . . that could be used to link off-road communities."[23] The buildout of adequate middle mile infrastructure will help facilitate the development of competition in Alaska and the availability of affordable and diverse telecommunications and broadband service with sufficient capacity.

Today, and as has been the case for many years, "GCI is the dominant terrestrial middle mile carrier in remote locations of Alaska via its TERRA networks as well as its control over significant fiber, microwave, and satellite capacity across the state."[24] Generally, carriers that serve or hope to serve rural areas in Alaska need to purchase capacity from middle mile providers, which well more often than not means purchasing it from GCI. Consequently, GCI's unwillingness to make wholesale capacity available on the TERRA-SW network, as discussed in more detail below, only serves to sustain the middle mile challenges in Alaska by impeding competition. Consequently, given the extent to which public funds are being invested in broadband network efforts in Alaska, and most of those are going to GCI, the potential for middle mile connectivity to serve the public interest versus further entrench a single competitor, must be a part of the discussion when that competitor seeks approval of a merger that holds considerable potential to affect how those facilities will be used – whether for or against the public good.

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22 *See* Alaska Plan, Dissenting Statement of Commissioner Ajit Pai; *see also* Alaska Plan, Dissenting Statement of Commissioner Clyburn ("[W]ithout affordable middle-mile connectivity, high-cost program support spent on the last mile does little to improve communications service to Alaskans.").

23 Alaska Plan, Dissenting Statement of Commissioner Ajit Pai.

24 Comments of Alaska Rural Coalition, GN Docket No. 14-28 (filed July 15, 2014).

VI. GCI CURRENTLY OPERATES IN MANY PORTIONS OF ALASKA AS A VIRTUAL MONOPOLY TO THE DETRIMENT OF ALASKA CONSUMERS

Supported throughout its history by Federal and state funding, GCI has grown to be the largest telecommunications provider in Alaska, based on both the extent of its operating territory and the size of its customer base. Directly and through a number of operating subsidiaries, GCI serves the majority of the Alaska retail market, providing local exchange and long distance, exchange access, mobile radio and data, cable and broadcast television, Internet access and other communications services. GCI companies serve approximately 60-75% of the non-wireless market in Alaska and one-third of the Alaska wireless market.[25] GCI cable systems pass over approximately 90% of Alaska households with 50% data penetration for the residential households passed.[26] While not technically an incumbent carrier (although it now owns several incumbent subsidiaries), GCI is commonly recognized as holding a dominant near-monopoly position in many portions of the Alaska communications market.[27] Unfortunately, GCI has used its market position to engage in a long and consistent pattern of anti-competitive behavior in Alaska.

GCI has been able to maintain its unjust and unreasonable and anticompetitive practices based upon the extensive and exclusive presence of its network in much of Alaska (developed with massive infusions of public funding), especially in the middle mile. As discussed below,

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25 *Liberty Interactive Enters into Agreement to Acquire General Communication, Combine with Liberty Ventures Group, and Split off Combined Company from Liberty Interactive*, April 4, 2017 ("GCI Liberty Investor Presentation") available at http://ir.gci.com/phoenix.zhtml?c=95412&p=irol-irhome.

26 *Id*.

27 *See*, *e.g.*, Christopher D. Coursen, "Making Rural Broadband Access a Reality," THE HILL, Oct. 28, 2016 (terming GCI a "virtual monopoly"), available at http://thehill.com/blogs/congress-blog/technology/303200-making-rural-broadband-access-a-reality.

GCI has responded to the generous public support received from Federal and Alaska agencies by failing to adhere to the conditions attached to such public monies and managing the resulting infrastructure solely for its own benefit. GCI denies competitive carriers just and reasonable access to critical wholesale services and facilities helping ensure that consumers pay unnecessarily high GCI rates without access to competitive alternatives. This extends to contracts associated with public programs, *e.g.*, Alaska school districts.

The proposed acquisition of GCI by LIC will result in the immediate availability to GCI of vast assets and corporate affiliations with which to further insulate itself from the effects of any emerging pockets of competitive alternatives (such as Quintillion has begun to provide on certain routes), undertake long-term anti-competitive strategies without fear of untenable loss of revenues in the near term, and sustain an insurmountable market advantage in Alaska.

1. GCI Accepts Significant Public Funding While Failing to Adhere to Commitments and Exhibiting Monopolist Behavior That Harms End Users.

GCI constructs and operates its networks and facilities in Alaska using a substantial amount of public funding in the form of Federal grants and loans, and Federal and state high cost support, as well as a sizeable portion of the subsidies from the Federal E-Rate and rural health care programs. As shown in the table below, compiled by Alaska Communications, in 2016, GCI received over $217 million of federal support under the FCC's USF support programs. Indeed, in that year, GCI received approximately 58% of all Alaska USF support.[28] With non-GCI affiliated wireless carriers as a group receiving only 17% and non-GCI rate of return carriers collectively receiving only 15%. GCI received the bulk of the combined rural health care and E-rate program subsidies designated to Alaska, 77 percent.

[28] Given that Alaska received 4.3% of all USF funding.

Carrier Type	High Cost	Low Income	Schools & Libraries	Rural Health Care	Total	Percent by Carrier Type
ACS	$19,685,490	$365,958	$2,673,638	$15,688,544	**$38,413,629**	**10%**
Rate of Return	$55,412,100	$967,069	$1,706,836	$140,771	**$58,226,775**	**15%**
GCI	$65,679,153	$8,922,913	$64,051,231	$78,574,759	**$217,228,056**	**58%**
Other Wireless	$40,129,287	$255,373	$18,701,822	$4,499,665	**$63,586,147**	**17%**
Total (Alaska)	**$180,906,030**	**$10,511,313**	**$87,133,526**	**$98,903,739**	**$377,454,607**	**100%**
Percent Alaska to Nationwide	**4%**	**.7%**	**3.6%**	**33%**	**4.3%**	

Figure 1: 2016 Alaska USF[29]

It is a certainty that GCI will continue to seek and receive vast amounts of additional public support. Indeed, GCI acknowledges it is now in line to receive even greater funding in the near future, including nearly $550 million over ten years under the Federal Communications Commission's ("FCC") Alaska Plan.[30] Of particular note, GCI has petitioned many State and Federal agencies for grant funding and additional subsidies claiming the funding is necessary to build out middle-mile in Alaska. Quintillion believes that GCI inflates its operating costs with inefficient and costly operations to justify its claims that more taxpayer funding is needed to continue its highly-profitable, high cost operations.

Moreover, even as it secures additional funding, ostensibly on behalf of Alaska's communications needs, GCI appears to be hedging its bets regarding further development in Alaska. Earlier this year, following a dispute with the Alaska state legislature, GCI announced

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29 *See* Figure 1, Presentation by Leonard Steinberg, Alaska Communications at University of Alaska Fairbanks, The Artic Broadband Forum (May 2017) (Alaska Communications Presentation).

30 *See* General Communications, Inc., Deutsche Bank Leveraged Finance Conference Presentation, General Communications, Inc., Sept. 23, 2016, available at http://ir.gci.com/phoenix.zhtml?c=95412&p=irol-irhome.

its intention to reduce investments in Alaska operations. Quintillion and other Alaska carriers rightfully are deeply concerned that public funds actually be used to the benefit of Alaska consumers. Approval of the GCI/LIC application must not be granted without a condition that any public funding granted to GCI be used solely to benefit Alaskans (and that it not be used simply to eliminate carrier expenses that appropriately belong to GCI) or be used to expand GCI Liberty's agenda outside Alaska.

a. Lack of Wholesale Services and Pricing Deprives Consumers the Benefits of Competition

Perhaps the most egregious example of GCI not meeting its commitments in connection with public funding, of which Quintillion is aware, involves a combination loan and grant to GCI subsidiary UUI. In January 2010, UUI was awarded an $88 million combination loan and grant to construct its TERRA-SW network from the U.S. Department of Agriculture's Rural Utilities Service ("RUS") as part of the Federal Broadband Initiatives Program (the "BIP"). The BIP was a broadband stimulus program established pursuant to the American Recovery and Reinvestment Act of 2009 ("ARRA").

The ARRA provisions that established the BIP specifically directed RUS to prioritize funding priority for "project applications for broadband systems that will deliver end users a choice of more than one service provider."[31] In short, BIP had a key objective to stimulate competition through wholesale services as a result of projects for which program monies were made available. Indeed, BIP applicants were required to commit, inter alia, "to offer interconnection, where technically feasible . . . on reasonable rates and terms to be negotiated

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[31] American Recovery and Reinvestment Act of 2009, Public Law 111-5, 123 Stat. 115, 118 (2009) div. A, tit. I.

with the requesting parties."[32] In addition, applicants had to disclose their interconnection and nondiscrimination practices in order to be considered for the BIP grants.

In its application for the BIP grant, UUI explicitly stated that it would "offer wholesale and retail services to carriers and other customers that wish to provide or use broadband and other services."[33] In other words, when requesting these public monies, UUI committed to fostering a competitive marketplace by offering, among other things, wholesale services and pricing. Thus, a large component of the funds underlying GCI's TERRA-SW network construction were granted with the express expectation that the GCI companies would act as proper stewards of the public interest and operate consistent with the program's requirements and their own commitments.

The completed TERRA-SW network has the potential to be an extremely valuable communications resource for Alaska, offering combined fiber optic and microwave middle-mile terrestrial broadband connectivity to 64 rural communities in Alaska. To date, however, the GCI companies have ensured this promise remains unfulfilled. Neither GCI nor UUI have seen fit to afford requesting parties wholesale services and pricing on TERRA-SW. Since it began network operations, GCI has been slow to respond to requests for access from other providers and then has only offered such access to network capacity at exorbitantly high rates. Indeed, to Quintillion's knowledge, GCI has never delivered service at a wholesale discount on its transport facilities on the TERRA-SW network.

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32 Broadband Initiatives Program; Broadband Technology Opportunities Program; Notice of Funding Availability, 74 Fed. Reg. 33104, 33111 ("BIP Funding Notice").

33 United Utilities, Inc. Broadband USA Application Executive Summary, *available at* https://www.ntia.doc.gov/legacy/broadbandgrants/applications/summaries/93.pdf.

In early 2016, in anticipation of turning up its Subsea fiber facilities upon their completion, Quintillion specifically sought to negotiate wholesale access for Ethernet services to the TERRA facility**.** GCI failed to respond meaningfully to this request at first and then ultimately informed Quintillion in May 2016 that there was no wholesale pricing available for access to TERRA-SW facilities. Instead, GCI directed Quintillion to its retail tariff for pricing information, essentially telling Quintillion that its only "wholesale option" was to pay GCI's exorbitantly high retail prices.[34] Where no purchasing option for competing carriers is available except to buy at retail rates, it is extremely difficult for resellers to compete. The absence of wholesale services and pricing distinct from retail offerings appears to directly conflict with the commitments UUI made in connection with the public funding it received to construct the TERRA-SW facilities and frustrates the potential for retail competition. [35]

Quintillion's experience seeking access to the TERRA-SW network is not unique. Quintillion understands that GCI has been consistently unwilling to provide other companies seeking to offer competitive services with non-discriminatory access to the TERRA-SW network middle-mile infrastructure at reasonable rates ***despite the fact that the network was built with public financing based on commitments to provide wholesale nondiscriminatory funding***.

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[34] A copy of UUI's "TERRA Product Descriptions & Pricing" document is attached as Exhibit 1. Alaska Communications has noted that GCI's rates to carriers "even for limited transport capacity on TERRA-SW are two to three times the cost of similar amounts of satellite-based transport capacity, and 200-400 times the cost of similar terrestrial fiber capacity in Anchorage." *See* Reply Comment of Alaska Communications, WC Docket No. 02-60 (filed Jan. 29, 2016)("ACS Reply Comments"); Alaska Rural Coalition Petition for Reconsideration, WC Docket No. 10-90 *et al.* (filed December 29, 2011) ("ARC Petition").

[35] It should not be necessary to point out that the GCI companies cannot be allowed to evade UUI's public funding commitments by selling all TERRA capacity to an affiliate or by otherwise reorganizing operations and assets within the corporate family.

Providers that did actually receive a response from GCI, Quintillion understand, reportedly were also invited to purchase at retail rates.

Even as GCI denies competitors access to the TERRA-SW network, it actively favors its own affiliates' operations. The Alaska Rural Coalition explained in a 2011 FCC filing that GCI had informed some of the carriers requesting access that "the capacity on TERRA-SW is unregulated and has been presold for internal use by GCI."[36] Diversion of the capacity on the TERRA-SW network from UUI, a wholly owned subsidiary of GCI, to its affiliates is a betrayal of its commitment to the Federal government to facilitate competition through wholesale pricing and instead ensures that the GCI companies can maintain a stranglehold over customers.

2. GCI Uses Control Over Its Publicly-Funded Network Facilities to Gouge End-User Customers

Compounding its anti-competitive operation of the largely publicly-funded facilities is the fact that GCI charges inflated rates over these facilities to its own customers, including schools, libraries, and rural healthcare providers who receive publicly funded support from the Federal E-rate and rural health care programs.[37] While costs to operate in Alaska are and will always be above the national average, GCI's retail rate levels, especially in remote areas, exceed any reasonable differential above not only the national average but also above the rates offered by other Alaska carriers. Even where GCI's broadband rates are comparable to competitors, the quality and reliability of GCI's services is typically below that delivered by other providers. In particular, consumer customers report to Quintillion that their speed tests indicate they never

36 *See* ARC Petition at 12.

37 The standard behavior of a monopoly is to disadvantage competitors to ensure that its own services are comparably less expensive and thus more appealing to customers. Quintillion suggests that the ability to impose exorbitant rates upon one's own customers with relative impunity is a clear indication that those customers have no meaningful alternatives.

receive the purchased speed, indicating that there appears to be a systematic tendency for GCI to severely oversubscribe its networks, ensuring that customers do not actually have access to the advertised capacity and speed.

a. Schools and Libraries

In areas served by the TERRA network, as of the latest available USAC reports for 2015, GCI services were subsidized by approximately 80 percent of the support dollars provided under the RHC and 74 percent of the E-Rate program dollars.[38] As with the RUS broadband financing program that funded TERRA-SW construction discussed above, the foundational principles of these two Federal universal service programs have the objective of promoting the public interest in access telecommunications service in a reasonable, non-discriminatory manner.[39] The Act provision that authorizes the E-rate program calls for the provision of "affordable access" to telecommunications service for educational providers and libraries.[40] The rural health care program's statutory language similarly states that telecommunications services should be provided to rural health care providers "at rates that are reasonably comparable to rates charged for similar services in urban areas."[41] Given the statutory objective of the universal service support mechanisms upon which GCI so extensively relies, it is clear that GCI has a responsibility to act in a manner that advances the public interest. Nonetheless, GCI has not done so. Instead it uses the significantly publicly-financed TERRA-SW network to expand its hold on the Alaska communications market and charges educational entities and rural health

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38 Alaska Communications Presentation.

39 *Id.*

40 47 U.S.C. 254(h)(1)(B)

41 47 U.S.C. 254(h)(1)(A)

providers rates that are inflated and unaffordable compared to what other providers might offer, given access to the TERRA-SW network on a wholesale competitive basis.

A clear example involves the Nome City School District in Alaska. Operating without competition, GCI provided broadband service to the School District at a rate equivalent to approximately $300,000 per month per 100 Mbps. Once a competitor was finally able to offer services in the area, the situation changed radically. DRS Technologies, which will provide service in part with the use of wholesale capacity on Quintillion's cable network, won the contract with a bid of less than $100,000 per month for 100 Mbps, a reduction by at least 70%. This episode demonstrates clearly the imperative for competition where GCI maintains a stranglehold on middle-mile transport the Alaska communications market and the impact it would have on pricing, both on institutional education and health care customers and on the FCC's Federal universal service programs.

b. Other Retail End-Users

At the same time, GCI does not hesitate to charge its retail customers in remote markets excessive broadband rates that are all the more indefensible for the low quality of service provided. This becomes clear when examining GCI's posted rates and services for high end and low end residential service packages in Nome and Anchorage:[42]

	Nome – Rate/Service	**Anchorage – Rate/Service**
High End	$169.99/month up to 6 Mbps (download) 40 GB data cap	$174.00/month up to 1 Gbps (download) 1 TB data cap
Low End	$69.99/month up to 2 Mbps (download) 10 GB data cap	$64.99/month up to 75 Mbps (download) 50 GB data cap

42 *See* https://www.gci.com/internet.

As can be seen from this table, while "high end" and "low end" rates seem comparable, the maximum speeds are materially different depending on where the customer is. In Nome, High End customers pay 98 percent what Anchorage customers pay, but are promised maximum speeds that are only 0.6% that enjoyed by Anchorage customers. Low End customers in Nome fare only slightly better, paying 108 percent what their Anchorage counterparts pay but receiving maximum speeds of only 2.4 percent that of Anchorage customers. The comparisons of monthly data caps show a similarly lopsided discrepancy.

The situation for GCI customers has been even further aggravated in recent years by GCI's aggressive imposition of data overage charges. Complaints abounded of GCI customers, already paying high rates for sparse amounts of data, being hit with substantial, even outrageous, overage charges.[43] Most GCI customers faced a constant battle to avoid inadvertently racking up such charges.[44] At the same time, in 2012, GCI reportedly earned as much as ten percent of its revenues from overage charges.[45] In early 2015, following sustained controversy about the practice, GCI finally eliminated the excessive overage charges, apparently replacing them with a

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43 The inevitable horror stories drew focused media attention – a GCI customer fell asleep while a move streamed and doubled her monthly bill; youngsters allowed a software application to sync to their computers continuously and generated $3,500 in overcharges in two weeks; an update program that got stuck triggering $600 in overage charges. *See, e.g.*, Jillian D'Onfro, "Why People In Alaska Can't Watch Netflix Without Fearing A $100 Surcharge" Business Insider, Feb. 13, 2014, available at: http://www.businessinsider.com/rural-alaska-data-caps-2014-2.

44 Online media reports suggest that the customers' efforts were further stymied inasmuch as GCI's bandwidth monitor was regularly offline or simply provided erroneous information. A consumer group adverse to GCI's overcharge practices also reported that GCI itself was not relying on the online usage monitor for billing purposes but instead using an internal system that was deemed proprietary. *See, e.g.*, Phillip Dampier, "GCI – Alaska's Outrageous Internet Overcharger; Customers Paying Up to $1,200 in Overlimit Fees," July 21, 2014, available at http://stopthecap.com/2014/07/21/gci-alaskas-outrageous-internet-overcharger-customers-paying-up-to-1200-in-overlimit-fees/.

45 *Id.*

policy of throttling users' access when they reach the limit of their pre-paid data usage.[46] Customers' speed is reduced until the next billing cycle begins or the customer purchases additional data.[47]

GCI no doubt will claim that the high charges, overage charges and throttling policy simply reflect the real costs of provisioning service in Alaska; however, the evidence is strong that these services in more remote markets can be delivered at far lower rates once competition is present – which largely depends on additional middle mile capacity and access at reasonable rates. Once that competition is available, end user rates drop materially. Accordingly, the proposed transaction should not be accepted as facilitating GCI's execution of its business plan – the harmful results of which that are all too familiar, as these examples and complaints by others show – but, rather, should be scrutinized closely to ensure the public interest is served.

VII. THE TRANSACTION RAISES SPECIFIC MATERIAL CONCERNS REGARDING GCI/LIC OPERATIONS POST-CLOSE THAT THE PARTIES SHOULD BE REQUIRED TO ADDRESS BEFORE THE COMMISSION ACTS ON THE PROPOSED TRANSACTION

In light of GCI's ongoing anticompetitive market activities discussed above and the opportunities the acquisition by Liberty Interactive will bring to further entrench GCI's market position and behavior, Quintillion urges the Commission to address with GCI and Liberty Interactive several key questions:

- How direct and indirect Federal funding, include the monies to be made available under the Alaska Plan, intended to promote the development of

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46 See https://www.gci.com/internet (somewhat ironically labelled the "No Worries" plan).

47 Notably, however, the additional data purchase is stacked in favor of premium customers. GCI customers subscribed to lower-speed plans and already dealing with a lower usage allowance also receive less favorable data top-ups compared to premium plan subscribers. For example, a basic plan customer may receive an additional 10 GB for a payment of $10 while a premium plan customer receives as much as 100 GB for the same $10 payment. See https://www.gci.com/internet.

telecommunications and broadband in Alaska is, in fact, spent in Alaska (and does not function solely as a displacement for investments GCI might otherwise make in the State, freeing those company funds to be spent elsewhere).

- How to ensure GCI's existing and new deployments of middle mile facilities supported by Federal grants, loans, or credits to unserved and underserved areas offer sufficient capacity and is made available on a reasonable and non-discriminatory wholesale basis and to promote competition.
- How to ensure reasonable pricing for all GCI end user customer services, with and without the presence of a competitor, especially those served pursuant to Federal subsidy programs (*e.g.*, schools and libraries programs).
- How to ensure builds with public funds have adequate capacity to reduce over-subscription practices to guarantee that GCI meaningfully complies with target performance requirements for Alaska Plan and other public funding and avoids unreasonable overage charges and throttling.
- How GCI will avoid collusion with post-close affiliates either to further restrict the Alaska market or to evade its own commitments in Alaska.

In order to enable the Commission to adequately protect the interests of Alaska consumers in the face of the proposed merger, GCI and LIC should be required provide answers to these concerns for themselves and on behalf of their affiliates' operations.[48]

VIII. THE COMMISSION SHOULD DENY THE APPLICATION UNLESS IT ADOPTS CONDITIONS ON THE TRANSACTION TO ENSURE THE WELFARE OF ALASKA'S CONSUMERS.

As demonstrated herein, the proposed transaction raises very real concerns about exacerbating the near-term and long-term harms arising from GCI's behavior to the Alaskan communications and derivative-service markets and, as a result, to Alaskan consumers. While companies are generally granted measurable discretion regarding corporate arrangements and financing, there is nevertheless an overriding principle (and Congressional mandate) for the

48 The integrity of public funding programs requires that grantees' commitments extend to their corporate subsidiaries and affiliates, insofar as those entities are involved or influential in the funded activities. Any other standard would invite carriers to evade the perceived burdens of those commitments through creative intra-corporate "shell games."

Commission to ensure that transactions involving the transfer of licensed telecommunications service providers do not injure the public welfare. Additionally, the substantial USF and other public funding received by GCI warrants additional scrutiny of this transaction to ensure those funds are used to the benefit of Alaska and not just to increase the profits of Liberty. For this reason, the Commission is required to determine that the proposed transaction is consistent with the public interest of everyday Alaskans and the state as a whole. Here, that is not the case.

Denial of the applications may seem a drastic step; however, access to critical infrastructure by competitors and provision of services to an economically and geographically vulnerable population is at stake as is the responsible spending of tax-payer funds. As drafted, allowing the proposed acquisition to go forward without checks will directly facilitate and further GCI's anti-competitive and anti-consumer activities. Without such checks, there is a non-negligible potential the transaction will result in GCI's becoming even more firmly entrenched in its abandonment of responsibilities to its Alaska customers to its own gain.

Unless conditions can be adopted applicable to GCI and LIC (including their affiliates operating in Alaska post-close) to ensure that the transaction will not result in continued material harms to Alaskans, the Commission should deny the applications.[49] The measures described below are appropriate because they are specifically intended to remedy harms that can be reasonably expected to be exacerbated from the transaction without such conditions.[50] The

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49 Quintillion notes that the GCI/LIC application carefully asserts and reiterates how little effect the transaction will have upon GCI's Alaska operations. Unfortunately, it is unlikely given the respective track records of GCI and LIC that this will prove to be an accurate forecast of what Alaskans can expect.

50 *See, e.g.*, *Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Assign or Transfer Control of Licenses and Authorizations*, FCC 17-34 (rel. Apr. 3, 2017) ("The Commission's transactional review is not an opportunity for the Commission to advance unrelated policy objectives

inquiries Quintillion urges the Commission to engage in with GCI and LIC, described in the immediately preceding section of this Petition, will help the Commission refine those conditions. These conditions directly address the potential harms of the transaction discussed herein, committing GCI to pro-competitive behavior in the Alaska market and precluding GCI from utilizing the resources of its new owners to ensure that competition is further stymied in Alaska and that Alaska consumers, institutions, and businesses continue to be poorly served by GCI.

The conditions should ensure that:

- Public Funds Awarded for Alaska Benefits Alaska: Direct and indirect Federal funding intended to promote the development of telecommunications and broadband services in Alaska is, in fact, spent in Alaska; the Commission should adopt reporting requirements to verify this that remain in place for the duration of the Alaska Plan funding.
- Public Funds are reinvested in Alaska: GCI, for the duration of the Alaska Plan funding, shall use a defined percentage of the Federal grants and loans it receives to develop middle mile operations connecting unserved areas (defined as those that have satellite service only) resulting in with sufficient capacity to meet not only GCI's expected needs (without relying on unreasonable over-subscription levels) but also to support wholesale services at reasonable and non-discriminatory prices made available to unaffiliated parties.
- Networks Built with Public Funding will be open Access with Wholesale Pricing: GCI will offer, for at least five (5) years, wholesale transport services at commercially reasonable speeds on Federally funded or subsidized middle mile facilities (including facilities funded or subsidized in the past) to unaffiliated providers at reasonable pricing and on a non-discriminatory basis relative to GCI affiliates; wholesale services should be offered at a meaningful discount to retail services to allow competition to develop; no GCI company may satisfy its wholesale obligations by selling to an affiliate. After four (4) years, the Commission will commence a review to determine whether a basis exists to continue the condition for an additional length of time.
- GCI will offer, for at least five (5) years, reasonable and non-discriminatory prices to end user customers, approximating competitive outcomes, especially those served pursuant to Federal subsidy programs (*e.g.*, schools and libraries programs). After four (4) years, the Commission will commence a review to

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by extracting commitments from the transacting parties in exchange for regulatory approval.").

determine whether a basis exists to continue the condition for an additional length of time.

- GCI Will Stop the Predatory Use of Oversubscription and Throttling: GCI will complement any target performance requirements for the Alaska Plan and other public funding for retail services by restricting over-subscription and throttling practices that materially degrade performance.

IX. CONCLUSION

For the foregoing reasons, the Commission should impose the conditions described above before permitting the transaction to go forward or, absent such conditions, deny the applications.

Respectfully submitted,

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Exhibit 1

United Utilities, Inc.

TERRA Product Descriptions & Pricing

(effective July 1, 2017)

TERRA Product Descriptions & Pricing

NETWORK DESCRIPTION:

TERRA is a middle mile terrestrial interstate broadband network connecting Anchorage with the TERRA communities. GCI provides broadband transport services including IP/MPLS and/or Layer Two Ethernet over MPLS service over the TERRA network.

TERRA NETWORK LOCATIONS:

Customers may order service delivery at any of the following TERRA network locations.

AKIACHAK	GOODNEWS BAY	MARSHALL	PORT ALSWORTH
AKIAK	GRAYLING	MEKORYUK	QUINHAGAK
ALAKANUK	HOLY CROSS	MINTO	RUBY
ALEKNAGIK	HOOPER BAY	MOUNTAIN VILLAGE	RUSSIAN MISSION
ANCHORAGE	IGIUGIG	NAKNEK	SCAMMON BAY
ANIAK	ILLIAMNA	NAPAKIAK	SELEWIK
ANVIK	KASIGLUK	NAPASKIAK	SHAGELUK
ATMAUTLUAK	KIANA	NEW STUYAHOK	SHAKTOOLIK
BETHEL	KING SALMON	NEWHALEN	SOUTH NAKNEK
BUCKLAND	KIPNUK	NEWTOK	ST. MARY'S
CHEFORNAK	KOKHANOK	NIGHTMUTE	ST. MICHAEL
CHEVAK	KOLIGANEK	NOME	STEBBINS
CHUATHBALUK	KONGIGANAK	NONDALTON	TANANA
CLARKS POINT	KOTZEBUE	NOORVIK	TOGIAK
DILLINGHAM	KOYUK	NUNAM IQUA	TOKSOOK BAY
EEK	KWETHLUK	NUNAPITCHUK	TULUKSAK
EKWOK	KWIGILLINGOK	OSCARVILLE	TUNTUTULIAK
ELIM	LEVELOCK	PEDRO BAY	TUNUNAK
EMMONAK	LOWER KALSKAG	PILOT STATION	TWIN HILLS
GALENA	MANLEY	PITKA'S POINT	UNALAKLEET
GOLOVIN	MANOKOTAK	PLATINUM	UPPER KALSKAG
			WHITE MOUNTAIN

Additional locations may be added in the future and will be offered under the same terms and conditions and included in availability under existing service contracts, as the original locations.

The customer is responsible for transport from the TERRA network location premises to the customer premise.

ETHERNET SERVICE:

Ethernet Network Service Description: Customers have full symmetrical access to the configured capacity with availability of 99.95% or no greater than 1296 seconds of outage per month (the "Availability Standards"). Ethernet Service is designed to provide point-to-point or point-to-multi-point connectivity. Customers may order multiple networks, including multiple hub and edge port pairs for point-to-point service, or hub to multiple edge port combinations, within their overall volume commitment. Only one hub port may be ordered per network.

Ethernet Network Service is postalized; the price per port does not vary depending on distance. No additional usage charges apply.

SERVICE LEVELS FOR ETHERNET SERVICE:

- Round trip latency not to exceed 50 milliseconds[1,2]
- Packet loss not to exceed 0.1% averaged over 30 days[2]
- Jitter not to exceed 20 milliseconds on average over 30 days[2]

TERMS & CONDITIONS FOR ETHERNET SERVICE:

1. In addition to these Terms & Conditions, the provision of Ethernet Service is subject to a contract between GCI and customer.

2. Subject to availability, GCI shall provide to the customer IP/MPLS services and/or Layer 2 Ethernet over MPLS service among TERRA locations.

3. An Ethernet service network shall consist of one hub port at a single location and one or more Edge Port(s) at one or more different locations.

4. Aggregate Ethernet hub capacity and aggregate Ethernet edge capacity each must be ordered in increments of one Mbps, although the capacity may be provisioned in increments of less than one Mbps at individual location(s).

5. The aggregate Ethernet capacity of the hub port in a service network shall equal the aggregate Ethernet capacity of the edge ports in a service network.

6. One or more service networks may be ordered under a single contract.

[1] The network is designed to limit round trip delay to not exceed 700 milliseconds during times of satellite restoration.
[2] Averaged over the period of thirty days. measured using ITU-T Y.1731 standard tests from TERRA POP to TERRA POP

7. During the service term and subject to any applicable conditions in the customer's contract, customer shall be entitled to change the allocation of the aggregate Ethernet Service hub and edge capacity (including the modification or elimination of existing Service Networks and the creation of new Service Networks) among TERRA Locations so long as such reallocation:
   (a) Meets the requirements of paragraphs 3, 4, and 5 above.
   (b) In the sole judgment and discretion of GCI, is technically feasible and commercially reasonable, taking into account, among other factors, TERRA's available capacity.
   (c) Does not have the effect of reducing the total Monthly Recurring Charges set forth in customer's service contract.

8. Additional capacity may be added during the term of the contract, subject to the requirements in paragraphs 3, 4 and 5. This additional capacity must be maintained for the remaining duration of the contract term and shall not change the contracted capacity.

9. Termination penalties pursuant to a contract shall not apply if the customer replaces a current contract with a new contract that has a service term greater than or equal to the remaining term of service under the current contract, and having monthly charges under the new contract greater than or equal to the monthly charges under the current contract. If two or more current contracts are replaced with a single contract, the new contract must have a term of service greater than or equal to the longest remaining term of service in any of the contracts being replaced, and the monthly charges under the new contract must be greater than or equal to the aggregate monthly charges in all contracts being replaced.

10. Pricing shall be determined in accordance with the pricing tables below as follows:

    (a) Totaling all of the hub capacity in Tables 1 and 2 ordered in increments of 1 Mbps or greater under a single contract and applying the hub pricing rate in each Table based on the aggregate commitment. Ports less than 1 Mbps receive only term discounts and are not included in calculating capacity discounts.
    (b) Totaling all of the edge capacity in Tables 1 and 2 ordered in increments of 1 Mbps or greater under a single contract and applying the edge pricing rate in each Table based on the aggregate commitment. Ports less than 1 Mbps receive only term discounts and are not included in calculating capacity discounts.

11. Service restoration

    (a) In the event of an outage at a TERRA network location where a customer has ordered service, service will be restored where possible via pre-designated satellite stations;
    (b) Service may be reconfigured within the TERRA network as available to re-route traffic. Network reconfiguration for restoration purposes in the event of service outage will be arranged on an individual case basis.

TERRA ETHERNET PRICING TABLES:

MONTHLY RECURRING CHARGES (MRCs):

HUB PORT/EDGE PORT (MONTHLY RECURRING CHARGES PER 1 MBPS OF SERVICE)

TABLE 1 -
TERRA SERVICES BETWEEN ANCHORAGE AND A REGIONAL CENTER (BETHEL, DILLINGHAM, KOTZEBUE, KING SALMON & NOME)

Aggregate Capacity	Hub Port Component per 1 Mbps					Edge Port Component per 1 Mpbs				
	1 Year	3 Year	5 Year	10 Year	25 Year	1 Year	3 Year	5 Year	10 Year	25 Year
1-100 Mbps	$778	$691	$605	$518	$346	$6,610	$5,875	$5,141	$4,406	$2,938
101-150 Mbps	$761	$677	$592	$508	$338	$6,472	$5,753	$5,034	$4,315	$2,876
151-200 Mbps	$729	$648	$567	$486	$324	$6,197	$5,508	$4,820	$4,131	$2,754
201-250 Mbps	$689	$612	$536	$459	$306	$5,853	$5,202	$4,552	$3,902	$2,601
251-300 Mbps	$608	$540	$473	$405	$270	$5,164	$4,590	$4,017	$3,443	$2,295
301-400 Mbps	$486	$432	$378	$324	$216	$4,131	$3,672	$3,213	$2,754	$1,836
400+ Mbps	$446	$396	$347	$297	$216	$3,787	$3,366	$2,946	$2,525	$1,836

Hub month-to-month pricing (per 1 Mbps)	$864
Edge port month-to-month pricing (per 1 Mbps)	$7,344

TABLE 2 -
TERRA SERVICES BETWEEN ALL TERRA SERVICE LOCATIONS OTHER THAN THOSE DESCRIBED IN TABLE 1

Aggregate Capacity	Hub Port Component per 1 Mbps					Edge Port Component per 1 Mpbs				
	1 Year	3 Year	5 Year	10 Year	25 Year	1 Year	3 Year	5 Year	10 Year	25 Year
1-100 Mbps	$864	$768	$672	$576	$384	$7,344	$6,528	$5,712	$4,896	$3,264
101-150 Mbps	$846	$752	$658	$564	$376	$7,191	$6,392	$5,593	$4,794	$3,196
151-200 Mbps	$810	$720	$630	$540	$360	$6,885	$6,120	$5,355	$4,590	$3,060
201-250 Mbps	$765	$680	$595	$510	$340	$6,503	$5,780	$5,058	$4,335	$2,890
251-300 Mbps	$675	$600	$525	$450	$300	$5,738	$5,100	$4,463	$3,825	$2,550
301-400 Mbps	$540	$480	$420	$360	$240	$4,590	$4,080	$3,570	$3,060	$2,040
400+ Mbps	$495	$440	$385	$330	$240	$4,208	$3,740	$3,273	$2,805	$2,040

Hub month-to-month pricing (per 1 Mbps)	$960
Edge port month-to-month pricing (per 1 Mbps)	$8,160

CRITICAL COMMUNITY FACILITIES MINIMUM DISCOUNT:

For the purposes of TERRA pricing, Critical Community Facilities (“CCF”) are public facilities that provide community services essential for supporting the safety, health and well being of residents. CCFs include, but are not limited to, emergency response, public safety, hospitals, health clinics, libraries and schools. In lieu of the standard term and volume discounts available in Table 1 and Table 2 above, CCFs may elect to receive a 25% discount off the TERRA published month-to-month rates.

NON-RECURRING CHARGES (NRC):

No fee shall be charged to initially provision service on TERRA. Subsequently, an NRC of $95.00 (per location) shall be charged for any Service Network change.

PORT EXTENSION CHARGES:

A Port Extension provides a connection between a TERRA Port and a customer's premises at the same TERRA location. See "Port Extensions" under Other Terms and Conditions for a full description.

Port Extension Capacity	NRC	MRC
1 to 10 Mbps	ICB	$300 per Port Extension
11 to 20 Mbps	ICB	$350 per Port Extension
21 to 30 Mbps	ICB	$400 per Port Extension
31 to 40 Mbps	ICB	$420 per Port Extension
41 to 100 Mbps	ICB	$450 per Port Extension
Rate applies to an individual Port Extension.		
Mbps are measured at the specific port where the Port Extension is ordered, and not aggregated across multiple Port Extensions.		
Port Extensions are location-specific and may not be re-located.		

OTHER TERMS AND CONDITIONS:

Other charges may be incurred for conditioning, modems, etc. The customer is responsible for paying actual charges determined at the time of installation. The customer is responsible for all applicable charges and surcharges imposed by other carriers for local connections.

PORT EXTENSIONS:

TERRA may provide a Port Extension on its facilities where available to a customer premises within the same local exchange area as the TERRA location where the customer has purchased a Port. Port Extensions include transport and termination equipment at the customer premises. Port Extension charges are in addition to the Port charge at the TERRA endpoint, and include non-recurring charges and monthly recurring charges. Port Extensions outside a local exchange area will be considered on an individual case basis and recurring and non-recurring charges may vary.

TERMINATION:

Following the expiration of the contract-specified service term, services will continue on a month-to-month basis until such time that GCI receives written notice of termination, which shall be provided to GCI by the customer no less than sixty (60) days prior to the requested termination date.

CREDIT:

A cash deposit or commercial letter of credit may be required based on a customer's financial qualifications and the combined value of all payments required under the Service Order.

LIQUIDATED DAMAGES:

Failure to honor the Capacity/Term Commitments will result in damages to GCI. Liquidated damages will be calculated in accordance with the following formula:

(a) The stream of MRCs from the date that the customer fails to honor the Capacity/Term Commitments (the “Breach Date”) through the date the Term ends shall be discounted to present value, using a discount rate of 10%.
(b) Any payments owed by the customer prior to the Breach Date shall be added to the amount calculated above.
(c) Any payments received from the customer after the Breach Date shall be subtracted from the amount calculated under this section.
(d) The amount calculated under this section shall be the liquidated damages owed by customer to GCI.

LOCAL ACCESS CIRCUITS:

Customer shall be responsible for arranging and paying for local telephone or other tail circuit facilities to connect the TERRA location POP to the premises of the customer.

DECLARATION

I have reviewed the foregoing *Petition to Deny of Quintillion Subsea Operations, LLC and Quintillions Networks, LLC*. The factual statements contained therein for which source citations are not provided are facts of which I have personal knowledge or the statements are based upon information provided or otherwise available to me. I declare under penalty of perjury that these facts are true and correct to the best of my information, knowledge and belief.

Executed on June 19, 2017

____

Ms. Elizabeth Pierce
Chief Executive Officer of
Quintillion Subsea Operations, LLC
and Quintillion Networks, LLC

CERTIFICATE OF SERVICE

I, Winafred Brantl, hereby certify that on this 19th day of June, 2017, I have caused a true and correct copy of the foregoing Petition to Deny of Quintillion Subsea Operations, LLC and Quintillion Networks, LLC to be served on each of the parties below:

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/s/ Winafred Brantl